BUSINESS ETHICS AND THE PERFORMANCE OF SERVICE FIRMS IN CALABAR, CROSS RIVER STATE, NIGERIA

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ABSTRACT: This study investigates relevance of code of ethics on guiding the performance of service industry and examined also their compliance level on the established code of ethics. The study adopts descriptive research design while data were collated from 176 respondents cutting across selected Banks and GSM firms in Calabar, Cross River State. Our hypotheses were tested using Chi-square ($X^2$) and all were supported by extant literatures. Results show that effective performance of service industry was dependent on code of ethics [$X^2_{cal} = 18.082 > t_{0.05} = 7.815$] and that the compliance level of established code of ethics for service industry was high [$X^2_{cal} = 13.801 > t_{0.05} = 7.815$]. Our findings therefore suggested that there should be specific procedures to always identify and deal with the issues of ethical misconduct; and it is important for organizations to increase punitive measures to violators of ethical codes.

KEYWORDS: Business Ethics, Performance, Productivity, Code of Ethics

INTRODUCTION

Over the years the term ethics in organizational performance has long been associated with management scholars and business leaders around the world. There is a broad agreement that as a matter of corporate policy, every organization should strive to be committed in a manner that is ethically transparent. The concept of ethics simply deals with how decisions affect other people and organization. According to Etuk (2009) ethics and morality are aspects of axiology concerned with what is good, what is beautiful and what is desired or preferred human conduct. Ethics is concerned with contemporary norms or standard of conduct that govern the relationship among human beings and their institution. Cole (2002) explains ethics as a set of moral principles or values used by organization to steer the conduct of the organization itself and its employees in all their business activities both internal and in relation to the outside world. Schermerhorn (1989) argued that ethics in the word of organization business involve “ordinary decency” which encompasses such areas as integrity, honesty and fairness. Behaving in an ethical manner is seen as part of the social responsibility of organization, which itself depends on the philosophy that organizations ought to impact on the society in ways that go beyond the usual profit maximization objective.

The performance of an organization is sometimes based on the ethical work climate. Ethical work climate reflects the collective moral reasoning of organization members. Thus, strong ethical climate provides employees a foundation for thinking about moral issues. Although organization members may reason effectively about the right thing to do, translating reason into action depends on the moderating effect of two additional contextual factors; collective moral emotion (in the form of collective empathy) and collective ethical efficacy. Furthermore,
the moral reasoning reflected in ethical climate is more likely to translate to ethical behaviour if members:

(i) Care about those impacted by their actions (empathy).
(ii) Believe in their ability to successfully follow through in their decision (efficacy).

Thus, ethical climate, collective moral emotion and collective ethical efficacy interact to create an environment more strongly related to ethical behaviour. Ethical behaviour is characterized by honesty, fairness and equity in interpersonal and professional relationship and it respects the dignity, diversity and the right of individual and groups of people. Therefore for an organization to move forward in the aspect of performance, it is important to have a good understanding of ethics and also take it seriously as this can undermine the competitive strength of the organization and the society at large (Harrington, 1991).

Howbeit, ethical traps are more common now than a generation ago, as it is easy to step over moral boundaries in order to entice specific customers who want to be obliged towards aid of sales. Bribes are frequently given in exchange for assistance, product offerings are over exaggerated while most managers whose dispositions towards business are aggressive go beyond recruiting fair ladies to entice customers. Several service organizations are guilty of the anomalies. They abate sexual harassment, dishonesty, bribery, lack of equity in interpersonal and professional relationship. To some managers however, unethical behavior has come to stay and hardly can a growing firm exist in perpetuity without any form of compromise in this volatile world. Most organization management can equally not distinguish between what is moral and immoral business practices. This article therefore revolves around:

1. The investigation of code of ethics on guiding the performance of service industry.
2. An examination of the compliance level of established code of ethics of service industry.

LITERATURE REVIEW

The word “ethics” has a Greek and Latin origin, respectively. Traditionally it refers to the customary values and rules of conduct (as in “cultural ethos” and “social mores”), as well as insights about what counts as human excellence and flourishing. “Ethics” and “morality” are often used interchangeably by us today. But ethics also refers to moral philosophy, i.e., a discipline of critical analysis of the meaning and justification of moral beliefs.

Ethics and morality along with law and etiquette are essentially normative, that is, they prescribe human behavior as obligatory, prohibited or permissible. There is considerable overlap between ethics and law, and ethics and etiquette. Much of the law embodies ethical principles: respect for basic rights to life, property, and the right of citizens to participate in political life. It is usually unethical to break the law. A breach of etiquette can also be unethical if it is done intentionally to offend someone simply for one’s own amusement.

Ethics goes beyond etiquette, though, it include matters that nearly every human society considers significant: action such as lying, breaking a promise or killing someone are more serious than social faux pas. Ethics also has to do with human character and motivation, which
in many cases are irrelevant to etiquette and law. And law and etiquette can sometimes be criticized on moral grounds.

According to Anam (2011) Public sector, ethics addresses the fundamental premises of a public administrator’s duty as a ‘steward’ to the public. In other words, it is the moral justification and consideration for decisions and actions made during the completion of daily duties when working to provide the general services of government and nonprofit organization. Ethics are an accountability standard by which the public will scrutinize the work being conducted by the members of these organizations.

Furthermore, Anam (2011) added that decisions are based upon ethical principles, which are the perception of what the general public would view as correct. Having such a distinction ensures that public administrators are not acting on an internal set of ethical principles without first questioning whether those principles would hold to public scrutiny. It also has placed an additional burden upon public administrators regarding the conduct of their personal lives. Public sector ethics is an attempt to create a more open atmosphere within governmental operations. Ethics must be seen as an ongoing activity and not as a status to be attained. Ethics is not just about establishing a set of rules or code of conduct but are an ongoing management process that underpins the work of government (Hondegheem, 1998). In the complex world of public administration, norms and values rarely provide clear-out answers to difficult problems. Ethics should be thought of as helping to frame relevant questions about what government ought to be doing and how public administration ought to go about achieving those purposes” (Denhardt as cited in Hondegheem, 1998).

Ethical behavior is that which is morally accepted as “good” and “right” as opposed to “bad” or wrong in a particular setting. Considering some questions like, is it ethical to do personal business on the organization’s time? Is it ethical to pay bribe to obtain a business contract? It is obvious that despite one’s initial inclination in response to these questions, the major points of it all is to remind organization that the public at large is demanding that government officials, managers, workers in general and the organizations represent all act according to high ethical and moral standard. The future will bring a renewed concern with maintaining high standards of ethical behavior in organizational transactions and in the work place.

Many executives, administrators and social scientists see unethical behavior as a cancer working on the fabric of society in too many of today’s organization and beyond. The crises of unethical behavior involve business people, government officials, customers and employee at all levels of the organization. For example, a recent study found that employees accounted for a higher percentage of retail theft than did customers. The study estimated that one in every fifteen employees steals from his or her employer.

In addition, we hear about illegal and unethical behavior going on in the country such as pension scandals which disreputable executives gamble on risky business ventures with employees retirement funds. Although such practices occur throughout the country, this nonetheless serves to remind us of the ethical challenge facing organizations. This challenge is especially difficult because standards for what constitutes ethical behavior lie in a “grey zone” where clear cut right versus wrong answers may not always exist. As a result, unethical behavior is forced on organizations by the environment in which it exists.
The effective management of ethical issues requires that organizations ensure that their managers and employers know how to deal with ethical issues in their everyday work lives. Therefore, organizational members must first understand some of the underlying reasons for the occurrence of unethical practices. From the above, we can assert with Anam (2011) what ethics in public organizations deals with.

1. Ethics deals with the character and conduct and morals of human beings. It deals with good or bad, right or wrong behavior; it evaluates conduct against some absolute criteria and puts negative or positive values on it (Hanekom, 1984). Guy (1990) agrees with Henekom because he views ethics as the study of moral judgements and right and wrong conduct. Furthermore, he views ethics as different from law because it involves no formal sanctions. It is different from etiquette because it goes beyond mere social convention. It is different from religion because it makes no theological assumptions. It is different from aesthetics because it is aimed at conduct and character rather than objects. It is different from prudence because it goes beyond self-interests of others. Ethics is both a process of inquiry and code of conduct. As a code of conduct, it is like an inner eye that enables people to see the rightness or wrongness of their actions (Guy, 1990).

2. The ethical question is closely linked to human existence. The essence of mankind lies in the fact that he/she can reflect upon, as well as evaluate, him/herself and his/her deeds. To be in a position to evaluate, a set of evaluation criteria or values is required as yardsticks (Vander Waldt & Helmbols, 1995).

3. Heynes (1986) is of the opinion that ethics has to do with the actions of man. Consequently, it requires adjustments in the actions and attitudes of the public manager in relation to his colleagues and the public as well as in relation to himself. According to De Villiers (1989), the basis of the evaluation of human behavior is to be found in a system of values. Ethical values and integrity as a basic value as well as the rule of law are key elements of every democratic society. Public officials in their daily execution of their functions and management of public funding, dispose of discretionary competencies. These values must not only protect the citizens against arbitrary use of this public power, but also the public authority itself against any improper use of this power by its public officials. The public officials themselves must be protected against any abuse or diversion of law or authority on behalf of the public authority or its official bodies (Hondeghem, 1998).

4. In addition to the above, Hondeghem (1998), writes that ethical behavior is essential for an effective and stable political-administrative authority as well as asocial and economic structures. Corruption can disturb economic competition; endanger free trade and stability on which the free market economy is based.

Esterhuyse (1989) writes that to make this evaluation possible, specific criteria are required. These evaluation criteria can be utilized as yardsticks and have a regulatory and evaluatory functions. Aspects such as quality of life, legitimacy of public institutions and the management style of the public sector may be derived from the moral-ethical. The moral-ethical culture which prevails on the public sector is dependent on the values of society. A society which does not, or is not allowed to express moral protest in public can cause political office-bearers to have a low sense of responsibility and integrity. Consequently, the possibility of corruption and maladministration is increased (Esterhuyse, 1989).

The imperatives of day to day organizational performance are so compelling that there is little time of inclination to divide attention to the moral content of organizational decision making. An effective organizational culture should encourage ethical behaviour and discourage
unethical behaviour. Admittedly, ethical behaviour may cost the organization but it is important to enforce it among the members of the organization in order to achieve organizational goals. Even though ethical problem in organization continue to greatly concern the society, individuals. The potential impact that organization culture can have on ethical behaviour has not really been explored. What is needed in today’s complicated times is for more organization to step forward and operate with more positive ethical cultures. It is often said that the only constant in life is change and nowhere is this truer than in the workplace. As the years approach, companies face a variety of changes and challenges that will have a profound impact on organizational dynamics and performance. In many ways these changes will decide who will survive and prosper into the next century and who will not. Among these challenges are the following:

i) The challenge of international competition
ii) The challenge of new technologies
iii) The challenge of increased quality
iv) The challenge of employee motivation and commitment
v) The challenge of managing a diverse workforce
vi) The challenge of ethical behavior

These are challenges that must all be met by organizations and managers concerned about survival and competitiveness in future. Ebitu (2012) affirms this, when he said that business ethics is applicable to accentuate an ethical consensus in business relationship, activities and actions with customers in order to survive, stabilize and grow; as customers expects a level of acceptable conduct from business organizations through product/service quality, avoiding deceptive adverts, product safety and fairness in all dealings.

**Forms of Unethical Behaviour in the Organization**

The potential for individuals and organizations to behave unethically is limitless. Unfortunately the potential is too frequently realized. For instance, the common story of Manville Corporation on how greed overtook concerns about human welfare when the Manville Corporation suppressed evidence that asbestos inhalation was killing its employees or when Ford failed to correct a known defect that made its Pinto vulnerable to gas tank explosions following low speed rear-end collisions (Bucholz, 1989). Companies that dump dangerous medical and oil waste materials into our rivers and oceans also appear to favour their own interests over public safety and welfare.

Unethical organizational practices are embarrassingly a commonly place. It is easy to define such practices as dumping polluted chemical waste into rivers, bribery and corruption in the different aspect of the economy, sexual harassment and fraudulent results, examination malpractice in the campuses as unethical. Yet these and many other unethical practices go on almost routinely in many organizations. Why is this so? In other words, what accounts for the unethical actions of people in many organizations? One answer to the question of why individuals knowingly commit unethical action is based on the idea that organizations often reward behaviours that violate ethical standards. Consider for example how many business executives are expected to deal in bribes and payoffs despite the negative publicity and ambiguity of some laws and being punished for their actions.

Posner and Schmidt (1984) explain that organizations tend to develop counter norms, accept organizational practices that are contrary to prevailing ethical standards. Within organizations,
however, it is often considered not only acceptable but desirable to be much more secretive and deceitful. The practice of stonewalling willingly hiding relevant information is quite common. One reason for this is that organizations may likely or actually punish those who are too open and honest. Looking at the negative treatments experienced by many employees who are willing to blow whistle and exposed unethical behaviour, other employees who are opportune to expose unethical behaviour will definitely withdraw. For example B. F. Goodrich rewarded employees who falsified data on quality aircraft brakes in order to win certification (Posner & Schmidt, 1984).

Similarly it has been reported that the executives of Metropolitan Edison encouraged employees to withhold information from the press about Three Mile Island accident (Gray & Rosen, 1982). Both incidents represent cases in which the counter norms of secrecy and deceitfulness were accepted and supported by the organization. There are many other organizational counter norms that promote morally and ethical practices. Because these practices are commonly rewarded and accepted, suggests that organizations may be operating within a world that dictates its own set of accepted rules. This reasoning suggests a second answer to the question of why organizations knowingly act unethically. This is so because managerial values exist that undermine integrity. In a recent analysis of executive integrity, Wolfe explains that managers have develop some ways of thinking (of which they may be quite unaware) that foster unethical behaviour (Wolfe, 1988).

**Strategies to Promote Business Ethics**

Improving the ethical climate of an organization enhances and preserves its reputation, inspires loyalty and advertises that it has ethics message right. Thus Robbins (1993) analyses the strategies to promote ethical behaviour to include the following:

1. **Evaluating Ethical Behaviour:** It is important for organizations to undergo internal ethics audits on a regular basis as this will add great value to the organization. Also there is need to communicate and model behavioural standards from the highest levels of an organization down to the entry level positions. This ensures that there is no gap between ethical standards and the actual behaviour of employees. By regularly evaluating these standards and the behaviour of the organization’s leadership, compliance to ethical behavioural norms of an organization can effectively be promoted.

2. **Educating Employees:** One strategy to improve the ethical behaviour of an organization is to constantly educate the employees on ethical values as this equips them with the knowledge of what kind of behaviour is expected of the employees. This can be done through seminars, conferences or periodic training.

3. **Protecting Employees:** One problem that might arise in the promotion of ethical guideline is the fear employees may have regarding their role in reporting unethical or questionable behaviour by another employee or even a superior. Employee must be assured that they will be safe from retaliation from other employees or supervisors who might be turned in for engaging in questionable activities. The best way to make this assurance is to offer employees a confidential channel through which they can report bad behaviour. A company ethics hotline is one way to increase employee willingness to speak out. Another might to be suggestion box kept in a secured location where other employees are not likely to see one of their fellow employees turning them in. Employees must be confidently assured that reporting bad behaviour is expected and safe.
4. Top managers on their own part should see themselves as role models, be oriented and also realize that ethical behaviour can be managed and the only way is to avoid ethical dilemmas.

5. Organizations should endeavour on their part to reward employees’ actions that are in line with ethical demand made on staff by members. On the other hand, employees that do not meet such demands should be sanctioned or punished. Creating ethical guidelines has several advantages which include the following:

- It helps employees identify what their firm recognizes as acceptable business practices.
- A code of ethics can be an effective internal control on behaviour which is more desirable than external controls such as government regulations.
- A written code helps employees avoid confusion when determining whether their decisions are ethical.
- The process of formulating the code of ethics facilitates discussion among employees about what is right and wrong and ultimately creates better decisions (Lamb and Others 1999).

**RESEARCH METHODOLOGY**

The study adopts a descriptive research design together with the use of questionnaire, and personal interview to elicit required information needed for the study. The population of the study was made up of all the staff of Zenith Bank, GT Bank, Access Bank, Diamond Bank, MTN, and GLO Nig. in Calabar, Cross River State. This population of the study was estimated at 315 staff members (Company handbook, 2014).

The sample subsequently used was based on the application of Yamane sample size determination which gave 176. This sample size however served as a guide in the administration of the questionnaire. The questionnaire was structured using a 4-point likert scale in the order of strongly agreed (4 points), fairly agreed (3 points), agreed (2 points), and undecided (1 point). The stated hypotheses were tested using chi-square statistical tool. All collated information are presented in tables and percentages.

**Data presentation, analysis and discussion of findings**

The underrepresented tables contain data from 176 respondents used as the sample size of the study. It was discovered from item 1 on table 1 that less than 12 percent of the total respondents were undecided on the fact that ethical codes breed increased productivity. However over 88 percent of the respondents were in agreement that the observation of ethical code breeds increase productivity. Item 2 of the table also recorded over 97 percent of the respondents affirming that organizational perpetual existence can be secures through ethics.

<table>
<thead>
<tr>
<th>TABLE 1: Ethical codes of business and performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>QUESTIONS</td>
</tr>
<tr>
<td>------------------------------------------------</td>
</tr>
<tr>
<td>1. Observance of ethical code breeds increase</td>
</tr>
<tr>
<td>productivity</td>
</tr>
<tr>
<td>U</td>
</tr>
<tr>
<td>21</td>
</tr>
<tr>
<td>11.9%</td>
</tr>
<tr>
<td>2. Organizational perpetual existence secured</td>
</tr>
<tr>
<td>through ethics.</td>
</tr>
<tr>
<td>U</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>2.8%</td>
</tr>
</tbody>
</table>

Source: field survey, 2015
TABLE 2: The compliance level of established code of ethics of service industry

<table>
<thead>
<tr>
<th>QUESTIONS</th>
<th>U</th>
<th>A</th>
<th>FA</th>
<th>SA</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Most staff adheres strictly to organizational code of ethics.</td>
<td>5</td>
<td>31</td>
<td>90</td>
<td>50</td>
<td>176</td>
</tr>
<tr>
<td></td>
<td>2.8%</td>
<td>17.6%</td>
<td>51.1%</td>
<td>28.4%</td>
<td>100%</td>
</tr>
<tr>
<td>4. Management and staff members do not accept gratification from customers irrespective of the purpose for their given it.</td>
<td>14</td>
<td>47</td>
<td>87</td>
<td>28</td>
<td>176</td>
</tr>
<tr>
<td></td>
<td>8.0%</td>
<td>26.7%</td>
<td>49.4%</td>
<td>15.9%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: field survey, 2015

Information of the compliance level of established code of ethics of service industry on item 1, table 2 shows that 5 respondents were undecided that most staff adheres strictly to organisational code of ethics, 31 of the respondents agreed, 90 fairly agreed while 50 strongly agreed. On item 2 also shows that 14 respondents were undecided, that management and staff members do not accept gratification from customers irrespective of the purpose for their given it; 47 respondents agreed to it, 87 fairly agreed while 28 respondents strongly agreed.

Test of hypotheses

Hypothesis one

H0: Effective performance of service industry is independent of code of ethics
H1: Effective performance of service industry is dependent on code of ethics

The hypothesis was tested using information drawn from table 1. This result is as presented below:

Table 3: Test of hypothesis one

<table>
<thead>
<tr>
<th>Business Code of ethics</th>
<th>Performance of service industry</th>
<th>U</th>
<th>A</th>
<th>FA</th>
<th>SA</th>
<th>X^2</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Observance of ethical code breeds increase productivity</td>
<td></td>
<td>21(13)</td>
<td>57(48.5)</td>
<td>68(76.5)</td>
<td>30(38 )</td>
<td>18.082</td>
<td>P&lt; 0.05 Significant</td>
</tr>
<tr>
<td>2. Organizational perpetual existence is secured through ethics.</td>
<td></td>
<td>5(13)</td>
<td>40(48.5)</td>
<td>85(76.5)</td>
<td>46(38 )</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SPSS Result, 2015

The above table shows that result of the observed and expected variables of the chi-square test of significance. The observed variables preceded the expected variables which are presented in brackets. It was discovered that the chi square (X^2) result of 18.082 at 3 d.f. was higher than the tabulated value at 0.05 level of significance [X^2 cal = 18.082 > t _0.05 = 7.815]. Hence the Null hypothesis (H₀) was rejected and the alternative hypothesis (H₁) which states that “effective performance of service industry is dependent on code of ethics” was accepted.

Hypothesis two

H0: The compliance level of established code of ethics for service industry is low
H1: The compliance level of established code of ethics for service industry is high
This hypothesis was tested using chi-square statistical tool while drawing data from table 2 and the result is as presented below:

### Table 4: Test of hypothesis two

<table>
<thead>
<tr>
<th>Business Code of ethics</th>
<th>Compliance level</th>
<th>X²</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Most staff adheres strictly to organizational code of ethics.</td>
<td>U 5(9.5) A 31(39) FA 90(88.5) SA 50(39)</td>
<td>13.801</td>
<td>P&lt; 0.05 Significant</td>
</tr>
<tr>
<td>4. Management and staff members do not accept gratification from customers irrespective of the purpose for their given it.</td>
<td>U 14(9.5) A 47(39) FA 87(88.5) SA 28(39)</td>
<td>13.801</td>
<td>P&lt; 0.05 Significant</td>
</tr>
</tbody>
</table>

SPSS Result, 2015

The chi square (X²) result of the above hypothesis test shows that the calculated figure of 13.801 at 3 d.f. was higher than the tabulated value at 0.05 level of significance [X²cal = 13.801 > t 0.05 = 7.815]. Hence the Null hypothesis (H₀) was rejected and the alternative hypothesis (H₁) which states that “the compliance level of established code of ethics for service industry is high” was accepted.

### CONCLUSION AND RECOMMENDATIONS

The study examined ethical behaviour and organizational performance of service firms in Calabar, Cross River State. To this extant literatures on the subject matter were reviewed and data were collated through the use of the questionnaire and personal interview and it was discovered from hypothesis one that increased performance of service industry is dependent on the established code of ethics [X²cal = 18.082 > t 0.05 = 7.815]. This findings corroborate the earlier position of Bucholz (2003) in his work on business ethics that ethical behaviour are guiding values, principles and standards that help people determine how things ought to be done in the organization. As set of moral codes, the form the framework for assessing social behaviour that is morally right in the course of discharge of duties in the organization. Among most service industry exists ethical standards that guide the behaviour of workers in the system. Violation of these ethics has grievous consequences and this has put a check attitude of workers in the performance of their work. It follows therefore that the existence of the various codes of ethics serves as a guide to the performance of service firms and compliance with established code of ethics will definitely increase the performance level and productivity level of firms.

Discovery from hypothesis two shows that the compliance level of established code of ethics for service industry is high [X²cal = 13.801 < t 0.05 = 7.815]. This is no doubt obvious as the compliance to ethical codes has a significant effect on the level of productivity. Staff members adhere strictly to organizational code of ethics while management and staff members do not accept gratification from customers irrespective of the purpose for their given it. This is an exact clarification that most of these firms with established codes of ethics had identified punitive measures for offenders to serves as a deterrent to unwarranted exhibition that runs counterproductive to the organizations rules. This view ways supported by Etuk (2009) who advocated for legal standards; specifying that individual’s actions are regarded as right or
wrong according to whether it falls within or outside the constraint established by law. He sees the establishment of legal standards as a way of ensuring compliance to ethical codes. It can therefore be recommended that every staff of the organization should have free access to or own a copy of the manual containing the codes of ethics guiding the performance of firms at the point of employment. The motivation of the staff should be on the increase as this will ensure effective compliance to ethical standard and codes.

There should be specific procedures to identify and deal with the issues of ethical misconduct; and it is important for organizations to increase punitive measures to violators of ethical codes. Disciplinary committees should be set up to ensure that investigations are duly carried out and those found guilty are made to face the consequences due their offence. By this it will serve as a detriment to others and will increase the level of compliance to ethical standards and codes in the organization.

REFERENCES


